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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
2000 Biennial Review –	)	CC Docket No. 00-199
Comprehensive Review of the Accounting	)	
Requirements and ARMIS Reporting	)	
Requirements for Incumbent Local	)	
Exchange Carriers: Phase 2 and Phase 3	)	

REPLY COMMENTS OF AT&T CORP.

Mark C. Rosenblum
Judy Sello
Room 1135L2
AT&T Corp.
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

Gene C. Schaerr
James P. Young
SIDLEY & AUSTIN
17222 Eye Street, NW
Washington, D.C. 20006
(202) 736-8677

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INTRODUCTION

Pursuant to Section 1.415 of the Commission's Rules, AT&T Corp. ("AT&T") submits these reply comments on the Phase 2 issues raised in the Commission's Notice of Proposed Rulemaking ("NPRM"), FCC 00-364, on accounting requirements and ARMIS reporting for incumbent local exchange carriers ("LECs"), released October 18, 2000, in the above-captioned docket.

The comments overwhelmingly demonstrate that the proposed changes to the Commission's accounting and ARMIS rules are premature. There is no "meaningful economic competition" in the incumbent local exchange carriers' ("LECs") markets that would justify the proposed elimination of a broad swath of accounting and ARMIS requirements under Section 11 of the Act. *See* 47 U.S.C. § 161. Indeed, accurate and detailed reporting of such information is still used for many regulatory purposes and is especially important as the transition to competition continues. For these reasons, NARUC – joined by numerous state commission commenters – generally oppose elimination of these requirements.

By contrast, the comments also dramatically show that these reporting requirements represent a minimal burden on the LECs. Indeed, the LECs keep far more detailed records for their own internal accounting purposes, which they simply aggregate when satisfying the Commission's reporting requirements. Even by the LECs' own estimates, the costs saved from elimination of these requirements would be minimal, and the alleged "burden" of these reporting requirements cannot seriously be deemed a hindrance to competition. The LECs' claims should therefore be rejected.

I. NO PARTY HAS EVEN ATTEMPTED TO SATISFY THE STATUTORY STANDARDS FOR THE REPEAL OF THE COMMISSION'S ACCOUNTING AND ARMIS REPORTING RULES.

In arguing for sweeping repeal of most of the Commission's ARMIS reporting rules and accounting requirements, the LECs either ignore or misconstrue the statutory prerequisites for such repeal. The LECs make no attempt to demonstrate that "meaningful economic competition" requires the elimination of any of these rules. Moreover, the LECs turn the statute on its head in arguing that all regulations are presumed unnecessary unless the proponents of retention can prove otherwise – a "burden of proof" that is contrary to the plain terms of the statute. The Commission should adhere to the statute as written, and recognize that its current accounting and ARMIS requirements remain necessary in today's environment of still-nascent competition.

The terms of Section 11 are clear. In every even-numbered year, the Commission is required to "review all regulations . . . that apply to the operations or activities of any provider of telecommunications services," and it "shall determine whether any such regulation is no longer necessary in the public interest *as the result of meaningful economic competition between providers of such service*." 47 U.S.C. § 161(a) (emphasis added). In other words, any party that seeks repeal of a regulation under Section 11 must show (1) that there is "meaningful economic competition" in the relevant market and (2) that the "meaningful economic competition" is directly linked to the "result" that the particular regulation is "no longer necessary in the public interest."[1]

The LECs, in arguing for the repeal of most of the Commission's accounting and ARMIS reporting rules, do not even attempt to meet this statutory standard. Most of the LEC commenters do not even quote the statute's requirement of "meaningful economic competition." Moreover, USTA, Qwest, and BellSouth simply assert in passing that local markets are competitive, although even they acknowledge that such competition is partial at best.[2] And Verizon does not even assert that "meaningful economic competition" exists for local exchange services.

Moreover, the remaining commenters show that there is in fact no "meaningful economic competition" in local exchange markets that would justify broad repeal of the Commission's accounting and ARMIS reporting rules. For example, as NARUC explains

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[1] Indeed, Section 11's standard of "meaningful economic competition" is at least as stringent as Section 10's standard for forbearance from Commission regulations. *Cf.* 47 U.S.C. § 160(a) & (b). Section 11 provides for the complete repeal of Commission rules, and therefore "meaningful economic competition" would have to exist industry-wide, since the repeal of Commission rules would affect all carriers. By contrast, the Commission can forbear from its rules selectively under Section 10, by limiting forbearance to particular carriers, services, or geographic areas. *See* 47 U.S.C. § 160(a).

[2] *See* Qwest at 2 n.5 (asserting without support that "[t]here is no question that ILECs face significant competition in many *parts* of their business" (emphasis added)); BellSouth at 6 (asserting that if ILECs provide inadequate infrastructure, "customers will 'vote with their feet,'" but acknowledging that there are "areas where competition is not yet prevalent"); USTA at 2.

Qwest's further claim that the *Pricing Flexibility Order* shows that there is competition sufficient to satisfy Section 11 is incorrect for three reasons. First, the Commission expressly acknowledged that ILECs retain market power over the services at issue even after they have satisfied the *Pricing Flexibility Order*'s competitive triggers. Second, the *Pricing Flexibility Order* targets relief on an MSA-by-MSA basis, while Qwest here seeks broad repeal of the Commission's rules on a nationwide basis. Third, Qwest has not sought or been awarded pricing flexibility in any MSA in its region based on satisfaction of the competitive triggers.

(joined by virtually all other state commission commenters), "the local exchange markets are not highly competitive." NARUC at 4; *see also* AT&T at 1-2. As a result, "the need to monitor ILECs' costs, investments, and cost allocation practices at this time is also important." NARUC at 4. Indeed, as NARUC emphasizes, "[i]f ILECs can strategically shift costs and recover costs without regulatory oversight, both competition and consumers will be harmed." *Id.* (emphasis removed). The need to monitor ILEC performance is especially critical because, as NARUC points out, much of the competition that does exist depends on access to the ILEC network. *Id.* ("[t]here has been rapid growth in internet traffic, packet switches, digital subscriber lines, and other services such as unbundled network elements . . . that place *increasing reliance* on the ILEC's network" (emphasis added)). *See also* Wyoming at 4 ("the local telecommunications market is not yet a competitive market, and thus, the need for regulatory oversight continues"); OCC/NASUCA at 2, 13 ("the level of competition in the United States today – particularly for local exchange competition, and specifically for residential customers – is still limited enough so as to increase, not decrease, the need for meaningful information" on the ILECs' near-monopoly operations); Idaho at 3.

In place of the statutory standard, the LECs argue for poorly reasoned substitutes that are absurdly weighted in the LECs' favor. For example, the LECs claim that Section 11 establishes a presumption that all of the Commission's regulations are *not* "necessary," in an improper attempt to shift the "burden of proof" under Section 11 to those who argue for retention of a rule. *See, e.g.*, Qwest at 3 n.8 (Section 11 "establishes a statutory presumption that regulation is not necessary," and regulations must be repealed unless "proven" to be necessary). Section 11 says no such thing. To the contrary, Section 11 establishes that the Commission must make an affirmative "determination" that the rule is no longer necessary in the public interest "as the result of meaningful economic competition." 47 U.S.C. § 161. The structure and language of Section 11 make clear that the Commission's regulations are in fact presumptively valid, and that it is the burden of the proponents of repeal to show that the statutory prerequisites for elimination of a rule have been satisfied. If Congress had meant to dramatically alter settled law by making all of the Commission's regulations presumptively invalid, it would have expressly said so.[3]

Reduced to its essence, the LECs' claim is effectively that the paramount consideration under Section 11 is the LECs' own convenience. The statute quite plainly states otherwise. *See, e.g.*, Wyoming at 1. No commenter has even attempted to make a serious case that "meaningful economic competition" requires the repeal of any of these accounting or ARMIS rules, and the Commission should adhere to the statute and reject these proposed rule changes as premature.

II. THE COMMENTS CONFIRM THAT THE COMMISSION SHOULD REJECT THE PROPOSED CHANGES TO ITS ACCOUNTING RULES.

With the predictable exception of the LECs, the commenters oppose most of the proposed rule changes concerning the Commission's chart of accounts and other accounting requirements. Indeed, the commenters overwhelmingly oppose changes to the Commission's chart of accounts and the elimination of detail in Class A accounting. Similarly, there is

[3] For the same reason, any Commission determination to repeal a rule would be subject to full "arbitrary and capricious" review under the Administrative Procedure Act (APA), contrary to Qwest's claims. *See* Qwest at 3 n.8. As noted, the plain terms of Section 11 require an affirmative determination that a rule is no longer necessary in the public interest "as the result of meaningful economic competition." Section 11 contains no indication that such determinations are to be treated differently than any other "agency action, findings, and conclusions" under Section 706 of the APA. 5 U.S.C. § 706(2)(A); *see Motor Vehicle Mfrs. Assn.* v. *State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42 (1983).

widespread opposition to other changes in the Commission's accounting rules, such as changes in the forecast use rule, notification of FASB changes, continuing property records requirements, and the affiliate transaction rules.

A. The Commenters Agree That The Commission Should Not Eliminate Class A Accounts.

The commenters oppose USTA's proposal to convert all Class A carriers to Class B carriers, as well as the Commission's more modest proposal to eliminate a portion of the accounts in Class A accounting. The Commission uses Class A detail for numerous purposes, and as NARUC states (at 4), "[t]he states rely [] a great deal on the FCC's Part 32 accounting system and on the information reported in ARMIS." *See also* Wisconsin at 4 ("Most state commissions, if not all, use the FCC's USOA"); Washington at 2; Idaho at 3; Utah at 1. Eliminating this level of detail would undermine both the Commission's and the states' ability to perform their statutory functions in many contexts. *See, e.g.*, Sprint at 8; Oregon at 2.

First, as the commenters widely acknowledge, Class A level of detail remains necessary for a wide range of Commission functions, including interstate tariff investigations, identifying cost-shifting and cost misallocations, universal service programs, and many others. As many commenters note, the Commission relies on Class A detail for administration of the universal service model for nonrural carriers. *See* WorldCom at 2; AT&T at 3-4; NPRM ¶ 18 & n.38. As the Commission itself noted in the NPRM, and as the commenters agree, the model depends on the detailed cost data on outside plant provided in Class A accounting to "derive reasonable cost estimates for the wide variety of exchanges that exist." NPRM ¶ 18 n.38.

Without Class A level of detail, the Commission simply could not make such estimates with any accuracy.[4]

In addition, as NARUC and the state commissions emphasize, "the loss of the detail provided in Class A accounting requirements would undermine the states' ability to understand the nature of the carriers' costs." NARUC at 5 (joined by most state commission commenters); Florida PSC at 4. As NARUC explains (at 5), "under Class B accounting, almost nothing would be known about [the LECs' network plant investments]." Because Class B accounting lumps all outside cable and wire investments in one account, "[n]o detail would be available regarding the construction or makeup of various kinds of outside plant," including "fiber, copper, aerial, underground, and buried cables as well as poles and conduit." *Id.* As NARUC notes (*id.*), "[t]hese separate accounts are critical cost components used to establish proper universal service support, UNE, pole attachment and other rates that ILECs charge [their] customers and competitors." Indeed, not only would Class B accounting be inadequate for universal service and UNE rate purposes, as the NPRM notes (¶¶ 18-19), but the loss of detail on poles and conduits would also prevent the establishment of appropriate pole attachment rates pursuant to Section 224. 47 U.S.C. § 224. *See also* Florida PSC at 4-5; Sprint at 8 ("RBOC cost studies can be difficult to fathom even with Class A account detail"); Oregon at 2-3 ("[m]any state commissions . . . require the use of CFR Parts 32, 36, 64, and 69," and because these are very detailed, "USOA must be very detailed"); Utah at 2 ("the proposed reduction in Class A accounts would significantly impair Utah's cost studies . . . as well as UNE and USF models"); OCC/NASUCA at 4-5.

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[4] Although Verizon claims (at 5) that the expense-to-investment ratios could be "developed from Class B accounts or any chart of accounts using basic accounting principles," without the Class A level of detail such estimates would be no more than extremely inexact approximations.

As NARUC also explains, elimination of Class A accounting would fatally undermine both state and federal regulators' ability "to set or assess [the LECs'] depreciation rates." NARUC at 5; Florida PSC at 5. "Combining [all of the various types of plant] together would seriously distort the usefulness of the current prescribed FCC ranges and undermine all the programs that rely on them (i.e., universal service cost proxy models, UNE pricing, etc.)." NARUC at 5; Florida PSC at 5. Equally important, "no cost data would be available for the FCC or the states to develop realistic cost models or even evaluate cost studies prepared by the carriers." NARUC at 5; Florida PSC at 5-6.

The commenters demolish the LECs' claims that Class A accounting is burdensome. As NARUC shows (at 5), "these carriers maintain from 2,000 to 3,500 accounts in their own accounting systems," and "[w]hen complying with the FCC's current Class A accounting, the carriers simply aggregate their own account balances into the Class A format, that consists of approximately 300 accounts." *See also* Qwest at 13 n.27 ("Qwest uses more detailed information than is available from Class A accounting to satisfy the Part 64 rules"); Oregon at 3 (Oregon "audits have shown that many companies actually keep more details than they usually offer to regulators"); Utah at 2 ("these ILECs maintain at least ten times the accounts required for the FCC's Class A accounting"); NYDPS at 2. Indeed, as NARUC points out (at 5), even the smallest ILECs use Class A accounting to obtain Rural Utility Service loans. *See also* Florida PSC at 6. Furthermore, the LECs' own showing, even if true, belies any claim that Class A accounting is unduly burdensome to the large LECs. USTA states (at 6) that shifting from Class A to Class B accounting would save the LECs a *combined* $2 million annually – hardly a crushing burden for these giant, multibillion dollar carriers.

In addition, the LECs' suggestion that the Commission cannot maintain Class A accounting for the benefit of state commissions is simply false. *See, e.g.*, USTA at 3; Verizon at 5. To begin with, the LECs' implicit suggestion that state commissions use this information solely for intrastate purposes is incorrect, because the state commissions often use the detailed USOA data to carry out *federal* mandates over which the FCC retains some authority – *e.g.*, UNE pricing and universal service. See 47 U.S.C. §§ 251-52, 254(f). In all events, a single, nationally uniform system of detailed accounting standards is "necessary in the public interest" because it is more efficient and facilitates benchmarking between states. If anything, eliminating Class A accounting would likely increase the burden on the LECs. State commissions would be forced to readopt similar rules at the state level, and as a result carriers operating in multiple states would have to comply with different standards, which would inevitably be costlier than compliance with the Commission's nationally uniform standards. *See* Wisconsin at 4; Idaho at 3.

Finally, a number of commenters correctly note that even the Commission's more modest proposal to eliminate 77 accounts from the Class A chart of accounts would inappropriately "eliminate data necessary to monitor the development of competition." NYDPS at 1; *see* NPRM ¶ 17. As AT&T explained, the Commission's proposed rule would aggregate all revenue accounts into unduly broad categories that would not allow any meaningful analysis or benchmarking of the LECs' operations. *See* AT&T at 3; NYDPS at 1 ("any changes to the USOA should include a breakdown of revenues and expenses by retail, resale, wholesale, and collocation activities to accomplish the goal of monitoring competition"). The LECs simply have not demonstrated any need for even the reduced streamlining proposed by the Commission.

B. The Commenters Agree That The Commission Should Not Make Other Proposed Changes To Its Accounting Rules.

The NPRM invites comment on several other proposed changes to its accounting rules (NPRM ¶¶ 21-45), and the comments demonstrate that these changes should not be adopted. Indeed, the LECs have made no attempt to justify such changes under the statutory standard, and there is currently no "meaningful economic competition" that would permit abandonment of these rules.

For example, the Commission should not eliminate the forecast use rule for allocating joint investments between carriers' regulated and nonregulated operations. NPRM ¶ 45; 47 C.F.R. § 64.901(b)(4). As NARUC explains (at 7), "[t]he markets for carriers' regulated activities are large, well-established, and mature, while the nonregulated activities, subject to the 'forecast use' rule, are new 'upstart' activities, in their infancy." While the nonregulated activities are potentially subject to "robust competition," "[i]f ILECs have the ability to shift the costs of these new service offerings to their regulated activities, competition for these new upstart activities will be seriously undermined." *Id.*; *see also* Florida PSC at 8. Thus, as NARUC states (at 7), the forecast use rule remains "critical," because otherwise "carriers could allocate almost all of the new investments to the regulated operations for many years even though the investments are primarily made to develop their newer, nonregulated activities." *See also* Florida PSC at 8. In addition, as Wisconsin notes (at 16), "using only actual current usage will not properly reflect that usage of some services is growing at a much higher rate than other services." *See also* OCC/NASUCA at 7 (same).

Similarly, the commenters broadly oppose eliminating continuing property records ("CPR") requirements. *See, e.g.*, WorldCom at 5; NARUC at 6; Florida PSC at 7;

Wisconsin at 8. As most commenters note, "[t]hese records [remain] necessary to ensure that the largest and most important accounts, the network plant accounts, accurately reflect those assets actually in service." NARUC at 6; Florida PSC at 7. As NARUC correctly explains (at 6), "if these records are inaccurate, virtually all of the carriers' cost data becomes suspect." Indeed, as most commenters recognize, elimination of such rules would be particularly inappropriate now, when the Commission has just recently found serious, widespread problems in the LECs' property records, as revealed in the recent audits. WorldCom at 5; Wisconsin at 8; NARUC at 6; Oregon at 4; Wyoming at 2.[5]

Nor should the Commission repeal the requirement that LECs obtain approval to implement FASB changes. As the commenters acknowledge, not all FASB changes are consistent with the Commission's rules, and therefore pre-approval is necessary to ensure that the LECs do not implement FASB changes that would otherwise result in improper exogenous changes or other rate increases. *See, e.g.*, WorldCom at 4-5; Sprint at 13-14; Wisconsin at 9 ("[w]hile standards approved by the FASB go through a detailed process before they are approved, this process does not reflect an analysis of the public interest that is performed as part of a regulatory analysis").[6]

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[5] USTA and Verizon argue that the CPR requirements should be repealed because, they assert, complying with these rules costs $7 million per year more than complying with GAAP alone. USTA at 13-14; Verizon at 8. Even if true, such a cost is small both in absolute terms and especially when compared with the *$5 billion* in phantom assets that the recent audits revealed to be on the LECs' books. *See* AT&T at 4.

[6] For the same reason, the Commission should not eliminate review of regulatory accounting changes based on GAAP changes endorsed by FASB. Automatic adoption of these types of changes could also result in inflated rates and improper exogenous changes. *See* AT&T at 5-6; Utah at 3; NPRM ¶¶ 25-26.

The commenters also oppose any changes in the affiliate transaction rules. *See* NYDPS at 2 ("[t]hese longstanding affiliate transaction rules were adopted to prohibit cross-subsidization and promote fair competition and are still required during the transition to competition"). In particular, the Commission should not decrease the threshold for using prevailing price from 50 percent to 25 percent. "Under this proposal, an affiliate, such as a supply company, can conduct up to 75 percent of its business with the ILEC and charge prevailing price," and as a result "volume discounts or other cost savings which the affiliate experiences primarily due to its association with ILEC will not have to be passed on to the ILEC." NARUC at 8; Florida PSC at 10. As NARUC aptly notes (at 8), "[i]f over 50 percent of the affiliate's sales are to the ILEC, then it seems that the primary purpose of the affiliate is to serve the ILEC." *See also* Florida PSC at 10. Therefore, the Commission should not change the rule. *See also* Wisconsin at 11 ("the rationale used by the FCC in setting the 50 percent threshold was reasonable and is still applicable today").

III. THE COMMENTS CONFIRM THAT THE COMMISSION SHOULD GENERALLY REJECT THE PROPOSED CHANGES TO THE ARMIS REPORTS, BUT IT SHOULD ADOPT THE CHANGES PROPOSED BY WORLDCOM.

The commenters also agree that the Commission should reject most of the proposed changes to the ARMIS reports. *See* NPRM ¶¶ 46-79. The Commission should, however, modify the ARMIS Reports to monitor LEC performance under the *Pricing Flexibility Order* and to require separate reporting of metallic and non-metallic cable investment and expenses.

For example, the Commission should generally reject the proposed changes to ARMIS Reports 43-01, 43-02, 43-03, and 43-04. NPRM ¶¶ 56-63. As NARUC notes, "[a]ll of the ARMIS reports are important to understand the carriers' local exchange and access operations, both financially and technically," and "without certain basic information" contained in today's ARMIS reports, neither the FCC nor the states could carry out their statutory functions. NARUC at 8-9. As NARUC explains (at 9), "ARMIS data is collected in a uniform and standard format so that the states and the public have efficient and reliable access to critical data that is needed in establishing regulated service rates, UNE prices, interconnection rates, depreciation rates, universal service support, assessing service quality, and service quality trends, network functionality, capabilities, and reliability." *See also* Florida PSC at 11. The vast bulk of the information in these reports remains "necessary in the public interest" and should not be eliminated. *See also* WorldCom at 5-6.

The LECs have not shown that these reports should be streamlined. Indeed, as NARUC explains, "ARMIS reporting does not present a significant burden to the carriers," because it merely requires carriers to "provide information on certain data otherwise required by FCC rules and does not make public any proprietary data." NARUC at 8. Moreover, as OCC and NASUCA note, "[b]y and large, there are *not* alternative sources for this data, at least not alternative sources that are consistently defined and easily accessible, as ARMIS reports are." OCC/NASUCA at 8; *see also* Oregon at 5-6; Florida PSC at 11 ("the only publicly available source of accounting data and information is that reported in ARMIS"). And the commenters overwhelmingly agree that there is no justification for eliminating these reports entirely for the mid-sized carriers. *See, e.g.*, NARUC at 8-9; Florida PSC at 12; OCC/NASUCA at 11.

The Commission should also reject proposals to eliminate information provided in ARMIS Reports 43-07 and 43-08. NPRM ¶¶ 64-80. As Wisconsin shows (at 19), "there is a continuing need to collect this infrastructure data at the federal level, rather than at the state level. Requiring all carriers to report the same information to the FCC makes it more efficient for the FCC and the state commissions to assess trends in investment in physical plant and to benchmark among carriers." Indeed, as Wisconsin explains (*id.*), "a state commission would [otherwise] have to separately gather information from the companies in its jurisdiction and then try to obtain information from across the country on other companies. This would be much more difficult, more time-consuming, and more costly." *See also* WorldCom at 8-9.

By contrast, the Commission *should* adopt WorldCom's proposals (at 6-7) to modify the ARMIS Reports in two respects. First, ILECs should report metallic and non-metallic cable investment and expense information in ARMIS Reports 43-02 and 43-04. As WorldCom explains (at 6), this data is important for the development of appropriate universal service cost models, and would place no appreciable burden on the ILECs to provide. Second, ILECs should report revenues from interstate access services offered pursuant to contract tariff and revenues excluded from price cap regulation pursuant to the *Pricing Flexibility Order*. Pricing flexibility represents a sea change in the Commission's approach to regulating interstate access services, and it will be critically important to monitor and evaluate the performance of the LECs (who concededly have market power over the services at issue) in the absence of price regulation.

The LECs' claims that the Commission is prohibited from adopting any new reporting requirements in the context of this Biennial Review are baseless. The plain language of Section 11 requires the Commission to repeal "or modify" its requirements where appropriate. These proposed modifications to the current ARMIS Reports are small in scope and amply justified by changes in competitive conditions.

By contrast, no commenter supports additional reporting requirements on *CLECs* in the context of this Biennial Review. This proceeding is confined to ILEC reporting requirements, and therefore any new reporting requirements imposed on CLECs could not be classified as "modifications" to the rules at issue here under Section 11. Moreover, the Commission has expressed its intention not to impose new requirements in Biennial Review proceedings unless they replace other regulations and are no more burdensome. *See 2000 Biennial Review Report*, FCC 00-456, ¶ 19 (rel. January 17, 2001). Imposing new requirements on CLECs, where none currently exist, would by definition contravene this stated intention.

IV. THE COMMENTS CONFIRM THAT THE COMMISSION SHOULD NOT MODIFY REPORTING REQUIREMENTS FOR MID-SIZE CARRIERS.

Although numerous mid-sized carriers seek broad repeal of the Commission's reporting requirements as applied to them, the remaining commenters generally oppose such repeal, and rightly so.

First, none of the mid-sized LECs has attempted to justify repeal based on "meaningful economic competition." Indeed, if anything, mid-sized carriers face less competition than the larger LECs. As WorldCom notes (at 10), the mid-sized LECs "remain dominant carriers whose interstate rates continue to be linked directly to their reported costs," and "indeed, at least one of the mid-sized LECs – ALLTEL – is a rate of return carrier." As WorldCom also notes, the mid-sized price cap carriers are also less likely to have been awarded pricing flexibility for interstate access services, and therefore these carriers could still seek low-end adjustments. *Id.* For these reasons, retaining full ARMIS reporting is at least as important for these carriers as it is for the larger LECs.

Moreover, the Commission has already substantially reduced the reporting requirements for mid-sized LECs, and no party provides any evidence that circumstances have changed in the interim. As WorldCom agrees, "[t]here is no basis, at this time, for the Commission to determine that these newly-streamlined rules represent a 'regulatory burden' for the mid-sized LECs." WorldCom at 10. Moreover, the mid-sized LECs are hardly "'mom and pop' operations." *See* OCC/NASUCA at 12. To the contrary, they are "corporations with billions of dollars in revenues that control millions of access lines" (WorldCom at 10) with very substantial earnings (OCC/NASUCA at 12). As AT&T explained in detail (at 10), the mid-sized LECs actually have greater opportunities for cost-shifting between nonregulated and regulated activities, and therefore any further streamlining of their ARMIS reporting requirements would be wholly inappropriate.

CONCLUSION

For the foregoing reasons and those in AT&T's Comments, the Commission should not adopt the rule changes proposed in the NPRM.

Respectfully submitted,

By Judy Sello / jym

Mark C. Rosenblum
Judy Sello

Room 1135L2
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

Gene C. Schaerr
James P. Young
SIDLEY & AUSTIN
1722 Eye Street N.W.
Washington, D.C. 20006
(202) 736-8677

Its Attorneys

January 30, 2001

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of January, 2001, I caused true and correct copies of the forgoing Reply Comments of AT&T Corp. to be served on all parties by mailing, postage prepaid to their addresses listed on the attached service list.

Dated: January 30, 2001
Washington, D.C.

Peter M Andros

Peter M. Andros

SERVICE LIST

Magalie R. Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-B204
Washington, DC 20554

Ernestine Creech
Accounting Safeguards Division
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

ITS, Inc.
1231 20th Street, NW
Washington, DC 20036

Carolyn C. Hill
ALLTEL Corporation
601 Pennsylvania Avenue, NW
Suite 720
Washington, D.C. 20004

Richard M. Sbaratta
Stephen L. Earnest
BellSouth Corporation
Suite 4300
675 West Peachtree Street
Atlanta, GA 30375

Christopher J. Wilson, Esq.
Delia Reid Saba, Esq.
201 East Fourth Street
Cincinnati, OH 45202

Cynthia B. Miller, Esq.
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

George N. Barclay
Michael J. Ettner
General Services Administration
1800 F Street, NW, Room 4002
Washington, D.C. 20405

Lisa D. Nordstrom
Idaho Public Utilities Commission
P.O. Box 38720
Boise, ID 83720-0074

Karen Brinkman
Richard R. Cameron
Benoit Jacqmotte
Latham & Watkins
1001 Pennsylvania Avenue, NW, Suite 1300
Washington, D.C. 20004-2405

James U. Troupp
Brian D. Robinson
Arter & Hadden LLP
1801 K Street, NW, Suite 400K
Washington, D.C. 20006-1301

Susan Stevens Miller
General Counsel
Maryland Public Service Commission
6 St. Paul Street
Baltimore, MD 21202

Scott Fabel
Montana Public Service Commission
1701 Prospect Avenue
P.O. Box 202601
Helena, MT 599620-2601

James Bradford Ramsey
Sharla M. Barklind
National Association of Regulatory
Utility Commissioners
1101 Vermont Avenue, Suite 200
Washington, D.C. 20005

Frank E. Landis
Nebraska Public Service Commission
300 The Atrium
1200 N Street
Lincoln, NE 68508

Lawrence G. Malone
General Counsel
Public Service Commission of the
State of New York
Three Empire State Plaza
Albany, NY 12223-1350

Robert P. Gruber
Antoinette R. Wike
Vicki L. Moir
North Carolina Utilities Commission
4326 Mail Service Center
430 North Salisbury Street
Raleigh, NC 27699-4326

Robert S. Tongren
David C. Bergman
Ohio Consumers Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485

Michael J. Travieso
NASUCA
8300 Colesville Road, Suite 101
Silver Spring, MD 20910

Ron Eachus
Roger Hamilton
Joan H. Smith
Public Utility Commission of Oregon
550 Capitol Street N.E. Suite 215
Salem, Oregon 97301-2551

James T. Hannon
Qwest Corporation
1020 19th Street, NW, Suite 700
Washington, D.C. 20036

Paul J. Feldman
Fletcher, Heald & Hildreth, PLC
1300 North 17th Street
11th Floor
Arlington, VA 22209

Jay C. Keithly
Sprint Corporation
401 9th Street, NW #400
Washington, D.C. 20004

Margot Smiley Humphrey
Holland & Knight LLP
2100 Pennsylvania Avenue, NW
Suite 400
Washington, D.C. 20037

Lawrence E. Sarjeant
Linda L. Kent
Keith Townsend
John W. Hunter
Julie E. Rones
United States Telecom Association
1401 H Street, NW, Suite 600
Washington, D.C. 20005

Joe DiBella
Verizon
1320 North Courthouse Road, 8th Floor
Arlington, VA 22210

Marilyn Showalter
Richard Hemstead
William R. Gillis
Washington Utilities and Transportation
Commission
1300 S. Evergreen Park Dr. SW
P.O. Box 47250
Olympia, WA 98504-7250

Alan Buzacott
WorldCom, Inc.
1801 Pennsylvania Avenue, NW
Washington, D.C. 20006

Lynda L. Dorr
Public Service Commission of Wisconsin
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

Steve Ellenbecker
Kristin Lee
Wyoming Public Service Commission
Hansen Building
2515 Warren Avenue, Suite 300
Cheyenne, WY 82002

Stephen F. Mecham, Chairman
Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Slat Lake City, UT 84111